

Note: Instructions for this worksheet are not included on this page.

State of Michigan
Evaluation of the Internal Control Structure (ICS)
in Effect During the Two-year Period Ended September 30, _____

- Worksheet for Evaluating the Risks, Control Activities, and Monitoring Components
of the ICS Associated with Financial Management Activities -

Objectives	Control Objectives O,F,C	Risk Analysis	Risk Rating in an Uncontrolled Environment HI MED LO		Actions/ Control Activities/ Comments	Monitoring (i.e., Test of Controls, etc.)	Conclusion (Sufficiency/Effectiveness of Existing Internal Controls)
			Severity	Frequency			
Beginning of Budget Transaction Cycle							
1. Programs are planned in an economical and efficient manner	O	Fraud, waste and abuse are not discouraged.			Budget procedures require program managers to supply and efficiently measure data Program operating procedures are reviewed as part of budget process		
2. Agency budget is developed in accordance with missions of the agency and its components, legislative, legal and management policy and procedures	O	Budget is “illegal” or improper Budget request does not properly inform management of programs planned Approved budget is not adequate to meet goals or is excessive compared to actual needs Operations conducted are not properly authorized Budget submissions are rejected			Budget office uses approved DMB procedure Budget system is used to accumulate budget data on an organizational and programmatic basis Mission statements are included in budget Budget is based on effective program measures and reviewed by management		
3. Budgetary information is properly classified in accordance with State/Federal budget guidelines	O	Budget is incorrectly prepared Budget is rejected in approval process			Automated budget system is used Defined procedures and forms are used		

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4. Budget processing procedures used are economical and efficient	O	Budget process is uneconomical and inefficient			Budget procedures are defined Personnel are trained in budget procedures Automated budget system is used		
5. Budget is authorized in accordance with laws, requirements, and management's policy	O	Budget is improperly authorized Unauthorized programs are implemented			Budget approval process throughout agency is defined Controls are implemented to verify that approvals are obtained		
6. Approved final budgets are properly entered into appropriate agency systems	O,F	Budget vs. actual reports are incorrect Overspending occurs because personnel are unaware of budget changes			Budget and/or financial personnel monitor budget revisions Final budget used for expenditure control is approved by budget and management personnel Operating personnel are informed of changes		
7. Apportionments made by Budget Office are properly accounted for and reconciled with overall appropriations	O,F	Expenditures not properly controlled Overspending may occur Proper expenditures delayed because of incorrect reporting			Automated budget system is used to control apportionments Management reviews and approves actual vs. budget reports		
8. Budget reports are prepared accurately, promptly, and consistently to adequately present information they purport to display	F	Management not properly informed of budget and actual performance Incorrect management decisions made			Automated budget system is used Budget and accounting systems are properly interfaced		

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		Budget approvals are “invalid”			Reporting procedures are defined and communicated		
9. Detail budget data is properly controlled/ accounted for and reconciled with final appropriations	F	Individual operations overspend			Approval of allocation in systems is performed by management Automated transfer of final budget data to accounting systems		
10. Access to critical budget forms, records, system programs, and processing procedures is permitted only in accordance with laws, regulations, and management’s policy	O	Incorrect budget data and reports are prepared			Access to records, forms, etc., is physically restricted		
End of Budget Transaction Cycle							
Beginning of Expenditure Transaction Cycle – Non Payroll Activity/Event: Procurement							
1. Purchases are authorized within budget limits and made in accordance with applicable laws, regulations, and directives	O,C	Unauthorized purchases Purchases from unauthorized vendors Purchases exceed budget limits <ul style="list-style-type: none">– Purchases made outside of ADPICS (e.g. pcard) do not run through system edits– Jurisdictional services are not approved by civil service			Agency procurement staff follow DMB policies and procedures for requisition, reviewing, and approving all purchases, including AS procedures that ensure purchases do not exceed delegated limits Maintain updated vendor information – centralized OFM procedures for changing vendor file and ADPICS edits for ‘barred’ vendors Purchases made outside monitored by Agency staff to funding		

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					<p>Review of budget limits prior to any requests for purchases (e.g. DV, pcard, phone order)</p> <p>Review for proper NIGP code usage is done by agency staff</p> <p>Document and enforce procedures for review of long-term supply contracts prior to execution to ensure prices are still competitive</p>		
2. Appropriate price is paid for goods/services	O	Incorrect prices may be paid for purchases made			<p>Periodically, obtain competitive bids for each acquisition</p> <p>Consider volume purchases by determining total use of similar materials; combine orders to obtain volume discount (BPO)</p> <p>Ensure invoices/receivers are processed timely to obtain available discounts</p> <p>Monitor material price variances – MAIN system has Purchase Order (PO)-to-invoice matching process which has a tolerance for price variance allowed</p> <p>Agency staff will utilize the</p>		

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					advice of change process to ensure that proper authorization for change in price is documented and approved Exception processing is not allowed without review and authorization		
3. Proper quantities are ordered at appropriate times	O	Unavailable or inaccurate information on inventory levels or actual needs Inventories are not checked before orders are placed			Maintain accurate perpetual inventory (JIT) records & Historical records of usage Match order placement history to order lead-time requirements Proper review of PO's (usage order history)		
4. Correct/appropriate item is ordered to fill original need requested	O	Incomplete or outdated specifications or work statements Specifications or work statements not prepared or written on order			Review existing and revised specifications by technical personnel Monitor and analyze problems related to specifications Communicate appropriate specifications to procurement personnel		
5. Items ordered are received on a timely basis	O	Late delivery (e.g. force majeure)			Shipment mode, delivery date, etc. are specified in the delivery terms of the contract Log is maintained for off-line purchases (e.g. PCard)		

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					Using RMDS/MIDB to match receiving information with PO and promptly follow through on outstanding orders		
6. Purchases and acquisitions are received and examined timely for acceptability	O	Excessive quantities or incorrect items received Cancelled or duplicated orders received Receipt of goods/services with unacceptable quality specifications			Establish central receiving location that is separate from shipping, purchasing, and storing functions if possible Utilize shipping/billing terms Utilize 3 way match to generate receiving document All shipments received are inspected timely and compared to a copy of PO		
7. Authorized PO's are recorded completely and accurately	O,F	Open PO's are not reconciled (reviewed & closed) timely			Except for a small percentage of purchases approved outside of ADPICS all POs are managed in ADPICS by procurement staff		
8. Unauthorized use of PO's is prevented	O,F	Inadequate policies and procedures to prevent unauthorized use			ADPICS/RSTARS security manual is available both in hardcopy and via the web MAIN electronic approval paths and system security prevent unauthorized access MAIN FACS ASA assign and monitor appropriateness of all user security		

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9. Disbursements are valid and properly approved	O,F	Unsupported disbursements Duplicate payments Incorrect or improper payments			Perform pre-audit function Review Receiving/Disbursement vouchers and/or payment vouchers processed for proof of pre-audit and approval Confirm disbursements are properly supported with vendor's invoice, and are reviewed and approved by management Management can monitor payment activity using MIDB scripts MAIN electronic approval paths and system security prevent unauthorized access		
10. Disbursements are made on a timely basis	O,F	Late payments Interest penalty on late payments Lack of discount taken			ADPICS automatically calculates discount prior to payment Confirm disbursements are properly supported with vendor's invoice and are reviewed and approved by management by utilizing ADPICS approval paths		
End of Expenditure Transaction Cycle – Non Payroll Activity/Event: Procurement							
Beginning of Expenditure Transaction Cycle – Non Payroll Activity/Event: Disbursements							

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1. Disbursements are authorized in accordance with laws, regulations and management's policy	O	Disbursements may be made to unauthorized vendors, and cash may be intentionally or unintentionally dispersed to unauthorized party			Procedures are in place for OFM to change ADPICS master vendor file Randomly review disbursements All disbursements are approved by management MAIN electronic approval paths and system security prevent unauthorized access		
2. Disbursements are valid and properly approved	O	Unauthorized disbursements Inaccurate or improper payments Fraud Unsupported payments			Perform pre-audit functions Written policies and procedures exist for approving, processing, and recording assistance payments to other governmental units and individuals All disbursements are approved by management MAIN electronic approval paths and system security prevent unauthorized access		
3. Disbursements are recorded promptly and accurately to appropriate account	O,F	Disbursements may be made, but never recorded or recorded inaccurately; this could result in misstatement of inventory and cost of sales or in unrecorded liabilities Untimely or inaccurate expense reports			Pre-numbered forms are used for all payment transactions, are in sequential order, and properly accounted for Batch balancing, logging and hash totals to provide reasonable assurance that		

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					all receipts have been posted to master files or otherwise accounted for		
4. Disbursements are within budget limits and in accordance with applicable laws, regulations, and agreements	O,F	<p>Payments may exceed budget limits</p> <p>Payments are inconsistent with terms of agreement</p> <p>Payments may be made to ineligible recipients</p>			<p>Periodic comparison of payments to payment vouchers processed</p> <p>Documented procedures for initiating, reviewing, and approving payment transactions</p> <p>MAIN has budgetary controls</p>		
5. Disbursements are accurately and promptly classified, summarized and reported	O,F	<p>Input to general ledger accounts may be incomplete</p> <p>Input to general ledger accounts may be inaccurate</p> <p>Unauthorized, duplicated or erroneous data may be entered in a summary</p> <p>Timing problems may develop (e.g. backlog of vouchers or disbursements may result in a failure to record all liabilities in proper period)</p> <p>Reports may be inaccurate with respect to classification of transactions</p>			<p>Documented processing cutoff and period-end closing procedures</p> <p>Use of correct transaction codes posts to correct general ledger accounts</p> <p>Comparison of actual results to planned results, and analysis of variance</p> <p>Batch totaling and logging of input documents; reconciling batch totals to the total of resulting check and voucher register</p> <p>Investigation of breaks in numerical sequence of critical forms submitted for summarizing</p>		
6. Recorded balances of disbursements and related transaction activity are periodically	O,F	<p>Reports may not fairly present what they purport to display</p> <p>Critical decisions may be based</p>			Policy statements, procedure manuals, organization charts, other documentation		

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substantiated and evaluated		upon erroneous data Errors and omissions in physical safeguarding, authorization and transaction processing go undetected and uncorrected			Techniques used to detect errors and omissions Techniques used to provide reasonable assurance that recorded balances are evaluated		
7. Access to disbursement records, processing areas, and processing procedures are permitted only in accordance with management's policy	O,C	Records may be destroyed or lost; this could result in an inability to prepare reliable financial and operating reports Records may be misused or altered by unauthorized personnel to the detriment of the entity or its vendors			Safe, locked cabinets, secure tape and disk library and off-site backup storage for records, computer files, programs and related documentation Controlled custody and pre-numbering of critical forms (e.g., blank checks, PO's, signature plates, master file change forms), including periodic accounting for such forms by independent personnel Segregation of responsibilities; restricted access Periodic internal compliance audit		
8. Disbursements are summarized and classified in accordance with management's plan	O,F	Financial statements may be misstated due any of the following: <ul style="list-style-type: none"> • Omission of selected registers or journals from the summarization made to support journal entries • Omission of a journal entry • Incorrect coding • Duplicate journal entry 			Written entity-wide coding instructions Written procedures for requesting and approving changes in the chart of accounts Assignment of responsibility for each account balance to		

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		<ul style="list-style-type: none">Improper cutoffs <p>Budgetary control over operations may be weakened</p>			<p>a particular individual in the cycle</p> <p>Analyze significant variances between actual and planned account balances</p> <p>Written closing procedures stating, by function, sources to be used to prepare journal entries, cutoffs to be observed, accruals to be made and who is responsible to do what</p>		
End of Expenditure Transaction Cycle – Non Payroll Activity/Event: Disbursements							
Beginning of Expenditure Transaction Cycle – Non Payroll Activity/Event: Accounts Payable/Vouchers Payable							
1. Invoices are recorded accurately on a timely basis for all accepted goods and services that have been authorized and only for such purchases	F	<p>Missing documents or information</p> <p>Inaccurate input of data</p> <p>Invalid accounts payable fraudulently created for unauthorized or non-existent purchases</p>			<p>Pre-number and account for PO's and receiving reports</p> <p>Match invoice, receiving and PO information; follow up on missing or inconsistent information</p> <p>Use of control totals or one-for-one checking</p> <p>Restrict ability to modify data</p> <p>Reconcile vendor statements to A/P items</p>		
2. All payables and other claims against the state are recorded properly and accurately	F	<p>Inaccuracy of unrecorded liabilities</p> <p>Inaccurate estimated liabilities</p> <p>Over or understated liabilities at year-end</p>			<p>Document procedures for recording and estimating payables debt and other liabilities</p> <p>Document methods of estimating payables and follow consistently year after</p>		

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					year Have internal auditor review estimated payables for accuracy and consistency		
3. Validity and clerical accuracy of claims is ensured prior to payment	F	Payment made for goods/services that were never received			Verify invoiced quantities, prices, and terms by reference to PO, receiving reports and documentation of verification		
4. Completeness and accuracy of A/P is ensured	F	Unauthorized input for nonexistent returns and unauthorized addition to accounts payable			Reconcile A/P subsidiary ledger with purchase and cash disbursement transactions Resolve differences between A/P subsidiary ledger and A/P control account		
5. Debt and other long-term liabilities are properly authorized, recorded and serviced in accordance with applicable laws and regulations	O,F	Unauthorized transactions Duplicate payments Unrecorded transactions			Transactions are authorized by management Randomly review and analyze posting of interest bearing debt accounts and other liabilities for accuracy and timeliness		
6. Accounts payable records are safeguarded	O	Unauthorized access to A/P records and stored data			Restrict access to A/P and files used in processing payables		
End of Expenditure Transaction Cycle – Non Payroll Activity/Event: Accounts Payable/Vouchers Payable							
Beginning of Expenditure Transaction Cycle – Non Payroll Activity/Event: Travel Expense Reporting							
1. Travel reimbursements and advances are provided for properly authorized travel	O	Unauthorized travel expense may be incurred Unnecessary travel may occur			Document policies/procedures for granting travel requests, and processing travel reimbursements and advances Perform pre-audit function		

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2. Amounts paid are in accordance with applicable travel regulations	O	<p>Inaccurate or improper meal and lodging rates and mileage rate</p> <p>Ineligible expense may be reimbursed</p> <p>Expenses incurred may be excessive</p>			<p>Follow “Standardized Travel Regulations” issued by Department of Civil Service and DMB</p> <p>Original receipts are required for reimbursement</p> <p>State policy and procedure sets maximum limits for certain expenses</p>		
3. Travel advances and/or reimbursements are timely, properly approved and properly recorded to appropriate account	O,F	<p>Advances may be issued too far in advance of actual occurrence of expense</p> <p>Travel advances may not be properly recorded as accounts receivable</p> <p>Unauthorized travel expense may be reimbursed</p> <p>Expense report may not be filed promptly</p>			<p>Document policies and procedures</p> <p>Document chart of accounts</p> <p>Document processing, cutoff and year-end closing procedures</p> <p>Perform validation tests to verify postings</p> <p>Review error message report</p> <p>Randomly review travel vouchers processed for timeliness and proof of pre-audit</p>		
4. Travel vouchers payable system and records are safeguarded	O,F	Unauthorized individual may access the system			Access is restricted to approved personnel; password is protected		
End of Expenditure Transaction Cycle – Non Payroll Activity/Event: Travel Expense Reporting							
Beginning of Expenditure Transaction Cycle - Payroll							
1. Personnel procedures are in compliance with applicable laws, regulations and	O	Management or supervisory personnel are unaware of legal/regulatory requirements and department policies			Require supervisory and management personnel to attend training on labor laws, regulations, and department		

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department policies		Management or supervisory personnel ignore legal/regulatory requirements and department policies			<p>policies</p> <p>Periodic review of policies and procedures by legal counsel for compliance with applicable legal and regulatory requirements</p> <p>Periodic review of personnel practices by internal auditor to determine compliance with policies and procedures</p> <p>Encourage personnel to report suspected violations of law, regulations or department policies</p> <p>Take appropriate disciplinary actions for violations of legal or regulatory requirements</p>		
2. Positions identified, described, established, and classified in accordance with Civil Service rules, regulations, and procedures; as well as management's policies and procedures	O	<p>Established positions may be in excess of need or improperly described</p> <p>Personnel hired for positions may not be properly qualified for actual job</p> <p>Payroll costs may be inaccurate</p>			<p>Human Resources office follows Department of Civil Service policies and procedures for requesting and obtaining approval for newly established positions</p> <p>Human Resources office complies with Department of Civil Service rules in establishing pre-authorized positions in predetermined classes and levels</p> <p>Human Resources office ensures that appropriate references, education, and</p>		

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					skills are verified Human Resources office complies with its internal policies and procedures		
3. Personnel actions, such as employee appointments, reallocations, and terminations are performed in accordance with Civil Service rules, regulations, policies and procedures as well as with management policy	O	Employees are not properly qualified to perform position related duties and responsibilities Employees improperly hired, reallocated and terminated			Human Resources office responsible for coordinating recruitment, testing, and selection of applicants for positions Supervisors interview or directly assist in selecting new hires Personnel actions are properly approved and documented		
4. Adjustments to personnel records are authorized	O	Incorrect or improper adjustments made			Documented procedures for adjustments are followed Employees are notified of adjustments Audit trail exists for all adjustments to personnel records		
5. Compensation rates are in accordance with established rates, pay regulations, and employee authorizations	O	Personnel are paid improperly Payroll costs are inaccurate Payroll deductions are incorrect Employees are dissatisfied and terminate, causing unnecessary turnover			Human Resources office complies with Department of Civil Service rules, regulations, policies and procedures for setting and assigning employee compensation rates Compensation rates are made available to the public upon request		

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					Proper management approvals, documentation, and justification are noted for all pay rates changes		
6. Personnel ceilings are strictly enforced	O	Department has more or less employees than needed to accomplish its mission/objective Fictitious employee may be added to payroll Limited-term employees hired to circumvent mandated ceiling			Periodically compare the number of full-time equated employees on the payroll to personnel ceiling Verify each position/employee added is properly authorized Verify individuals on payroll are bona fide employees Determine that limited-term employees do not work beyond their authorized period; periodically reviewed by Internal Auditor		
7. Employment records are promptly, completely, and accurately established with proper safeguards against preparation of fictitious records or unauthorized access	O,C	Fictitious employees may be added to payroll system Employee files may be altered without knowledge or consent Classified and/or confidential information may be accessed and/or released without authorization			Access to employee files is physically limited to authorized personnel All employee personnel/payroll transactions are approved by authorized personnel Segregate duties of processing personnel transactions from payroll transactions Access to automated employee personnel information is properly authorized, assigned, and		

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					controlled Medical related information is not retained in employee personnel files		
8. Proper standards of conduct are communicated and enforced	O	Employees do not adhere to appropriate standards of conduct Public image inconsistent with management philosophy			Verify proper standards of conduct are enforced equally for all employees Each employee signs document certifying their receipt of employee handbook; acknowledging rules and regulations		
9. A sufficient number of appropriately qualified personnel are employed to accomplish agency goals/objectives	O	Over or under qualified candidates may be hired Lack of awareness of entity's current human resources Lack of adequate and qualified staff may prevent agency from accomplishing goals/objectives			Can access a system that provides for identifying appropriate candidate skill sets for specific positions Adopts personnel practices to carefully screen out unqualified candidates from selection/hiring process Establishes and/or maintains adequate job descriptions and hiring criteria used to measure and compare candidates' qualifications with job requirements Investigate/review potential candidates within the entity before considering external candidates		
10. Employee turnover is maintained at acceptable level	O	Employee classification levels, rates of pay, and non-payroll related benefits less than offered by other entities			Identify and evaluate employee turnover rate (for reasonableness)		

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		<p>Employees may feel their efforts are unnoticed or not appreciated</p> <p>Poor supervision</p> <p>Job dissatisfaction</p>			<p>Request position reviews from Civil Service to determine if positions are properly classified</p> <p>Periodic, standardized performance evaluations and career counseling</p> <p>Provide appropriate supervisor and employee training</p> <p>Conduct exit interview to determine reasons for employee turnover; implement corrective steps</p>		
11. Personnel/payroll transactions are properly authorized and entered to automated system, on a timely basis	F	<p>Improper and/or incorrect transactions processed</p> <p>Incorrect reporting</p>			<p>Personnel/payroll transactions are properly documented and approved</p> <p>Transactions are entered into the system by someone other than person preparing and approving transactions; otherwise, compensating controls should exist</p> <p>Supervisor review/approval of PE-110 (Biweekly Transaction Report)</p> <p>Review and reconciliation of PE-110 with Biweekly CNTL reports</p>		
12. Personnel/payroll transactions are accurately and promptly classified, summarized	F	Payrolls paid not properly reported			Necessary payroll reconciliation is performed to ensure accuracy of amounts reflected in		

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and reported					R*STARS Accounting for payrolls paid is done on a timely basis Accounting entries verified to registers, etc. Costs compared to prior period and budget to determine reasonableness of current costs		
13. Personnel/payroll transactions are accurately applied to proper records	F	Detail records disagree with control accounts Errors are not corrected Incorrect reporting			Daily transaction log is reconciled with daily CTL 2-01 report; print screens of transactions and retain for audit Detail records are posted promptly Internal auditors periodically verify reconciliation process for propriety and performance		
14. Personnel/payroll transactions are summarized and classified in accordance with budget program and pay regulations	F	Incorrect payroll cost details Incorrect program reporting Misstated reimbursements Management unaware of actual costs			Journal entries reviewed/approved by proper supervisors Appropriate levels of management receive periodic operation reports detailing salaries and wages compared to budget, for the operational entity Reports issued of transactions processed Costs compared to budgets		
15. Recorded balances of	F	Incorrect account balances			Balances are reported or		

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personnel data and related transaction activities are periodically substantiated/evaluated		Incorrect reporting			available to supervisors/management for review and follow-up Periodic internal audit		
16. Physical or automated access to and maintenance of employee personnel records, critical forms, confidential information is permitted in accordance with laws, regulations and management policy	O,C	Records altered or lost Laws violated Incorrect data reported for management or staff			Document management's policy and procedures Physical controls limiting access to employee records Reports are numbered Access to automated employee files is properly authorized by designated Human Resource personnel		
End of Expenditure Transaction Cycle - Payroll							
Beginning of General Accounting Transaction Cycle Activity/Event: General Ledger							
1. All general ledger transactions are for valid items, properly valued, and are to/from correct accounts (coding blocks)	F	Journal voucher (JV) adjustments may be improper, may be to/from incorrect accounts, and may not be for proper amount Agencies may reclassify expenditure to other funds and circumvent budgetary process No controls to ensure this risk does not occur			Supporting documentation for each transaction is retained at dept. level Agencies have access to only their accounts on R*STARS; not other agencies' accounts Agencies monitor their accounts for proper recording and classification Access to R*STARS is controlled by security profiles which restrict types of transactions, by individuals JV adjustments are not posted until authorized		

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					agency employee enters an action approval code Central agency is authorized to approve all large amount JV's		
2. General ledger entries and adjustments to accounting records or reclassifications are made by authorized personnel	F,C	JV adjustments and/or reclassifications could be made by an employee assigned incompatible functions			Access to R*STARS is controlled by security profiles which restrict types of transactions, by individuals Agencies monitor their accounts for proper recording and classification		
3. When initiating recurring transactions, ensure spending is not in excess of funds appropriated by the legislature	F	Incomplete, recurring transaction entries lead to accounting errors Recurring transactions not purged when they are no longer appropriate Recurring transactions may be set up without proper authorization			R*STARS automated applications provide system edits/checks to ensure data and process integrity Responsible financial personnel reconcile balance sheet accounts Recurring transactions are approved by Chief Accountant or designee		
End of General Accounting Transaction Cycle Activity/Event: General Ledger							
Beginning of Revenue Transaction Cycle Activity/Event: Cash Receipts							
1. Receipts are accepted only from parties authorized in accordance with laws, regulations, and management's policy	O	Revenues may be received from unauthorized parties Revenues may be recorded incorrectly Violation of law or regulation may occur			Clear statements of criteria Approved customer list, customer master file, taxpayer records, etc.		
2. Receipt processing procedures are	O	Agencies may be reorganized and personnel reassigned in			Document procedures		

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established and maintained in accordance with laws, regulations, and management's policy		ways that reduce segregation of duties Procedures may be implemented that circumvent existing internal control techniques Transactions may be processed incorrectly by unauthorized person			Periodic verification of required management and user approvals of new systems, procedures, and changes in systems, procedures, and programs		
3. Physical security safeguards maintained where cash receipts are stored and processed	O,C	Employee theft and collusion			Open mail and count cash in a central location that can be observed by other employees Do not permit one employee to handle transaction from beginning to end Restrictively endorse all checks immediately upon receipt Separate mail opening and cash handling from record keeping and depositing		
4. Establish accountability for cash items received before cash can be misdirected	O	Cash may be lost, misused or diverted resulting in overstatement of accounts receivable Cash sales of merchandise may not be reported			Daily, reconcile cash register tape totals to deposit slips Central mailroom that lists incoming cash items for subsequent reconciliation to deposits by an employee independent of cash receipts and accounts receivable functions		

Objectives	Control Objectives O,F,C	Risk Analysis	Risk Rating in an Uncontrolled Environment HI MED LO		Actions/ Control Activities/ Comments	Monitoring (i.e., Test of Controls, etc.)	Conclusion (Sufficiency/Effectiveness of Existing Internal Controls)
			Severity	Frequency			
					<p>Cash control techniques, such as scheduled and frequent pick-up of control totals, pre-listing and reporting of receipts, required daily deposits, dual counting, surprise counts, documented/verified transfers of accountability</p> <p>Segregation of duties between those responsible for handling/listing cash receipts and those responsible for posting to customer/GL accounts</p>		
5. Cash receipts, check signing machines, signature dies, blank, partially prepared, mutilated, and voided checks are protected from unauthorized use	O	Unauthorized use of check signing machine			<p>Keep undeposited receipts, check signing machine, blank or voided checks in a safe or locked cabinet</p> <p>Keys and safe combinations controlled by authorized personnel</p> <p>Use pre-numbered receipt and disbursement forms</p>		
6. Receipts are recorded properly, timely, and deposited promptly	O,F	Receipts recorded inaccurately or not deposited promptly			<p>Record cash receipts immediately</p> <p>Deposit receipts daily</p>		
7. Cash items received are classified accurately and promptly; summarized and reported	O,F	<p>Inputs to general ledger accounts may be incomplete</p> <p>Inputs to general ledger accounts may be inaccurate</p> <p>Unauthorized, duplicate or</p>			<p>Documented processing, cutoff, and period-end closing procedures; documented charts of accounts</p> <p>Compare actual results to</p>		

Objectives	Control Objectives O,F,C	Risk Analysis	Risk Rating in an Uncontrolled Environment HI MED LO		Actions/ Control Activities/ Comments	Monitoring (i.e., Test of Controls, etc.)	Conclusion (Sufficiency/Effectiveness of Existing Internal Controls)
			Severity	Frequency			
		erroneous data may be entered in a summary Timing problem may develop Reports may be inaccurate with respect to classification			planned results; analysis of variances Periodically, refoot registers, journals, and reports Batch totaling and logging of input documents; reconciling to totals of resulting register, journal, report or file update Review and follow-up on regular back-log reports of unprocessed data, such as invoice		
8. Receipts, collections on account, and related adjustments are accurately applied to proper receivable accounts	F	Detail posted to subsidiary ledger accounts or records may not agree with total activity that should be posted Detail activity may be incorrectly posted in subsidiary ledger			Validation tests to verify postings (e.g., key verification, check digits in customers' account numbers, and compare account numbers to table of valid numbers) Batch/reconcile input totals to processing totals and new balances forwarded Periodically reconcile subsidiary accounts receivable and sales ledger balances to GL balances or other control totals		
9. Journal entries are prepared each accounting period for receipts and related adjustments	F	Financial statements may not become available on a timely basis Financial statements may be misstated due to any of the following:			Written chart of accounts containing a description of each account Written entity-wide coding instructions		

Objectives	Control Objectives O,F,C	Risk Analysis	Risk Rating in an Uncontrolled Environment HI MED LO		Actions/ Control Activities/ Comments	Monitoring (i.e., Test of Controls, etc.)	Conclusion (Sufficiency/Effectiveness of Existing Internal Controls)
			Severity	Frequency			
		<ul style="list-style-type: none"> • Omissions of selected registers or journals for summarizations made to support journal entries • Omission of a journal entry • Incorrect coding • Duplicate journal entries • Improper cutoffs <p>Budgetary control over operations may be weakened</p>			<p>Assignment of responsibility for each account balance, to a particular individual in the cycle</p> <p>Written closing procedures stating, by function, sources to be used to prepare journal entries, cutoffs to be observed, accruals to be made, and who is responsible to do what</p>		
10. Recorded balances of receipts, accounts receivable, and related transaction activity periodically substantiated and evaluated	O,F	<p>Reports may not fairly present what they purport to display</p> <p>Critical decisions may be based upon erroneous data</p> <p>Some errors/omissions in physical safeguarding, authorization, and transaction processing may go undetected or uncorrected</p>			<p>Documented policy and procedure manuals, organization charts</p> <p>Reconciliation of recorded balances/activities to balances/activities reported by custodians</p> <p>Reconciliation of GL balances to subsidiary ledger balances</p> <p>Periodic verification of activity reports to underlying documentation</p> <p>Periodic physical counts of cash/cash items and reconciliation to recorded amounts</p>		
11. Access to cash and cash items received is permitted only in accordance with management's criteria	O,C	Cash may be stolen, lost or temporarily diverted			<p>External storage (e.g., lock box services, banks, etc.)</p> <p>Physical barriers (e.g., locked doors, cabinets and safes)</p>		

Objectives	Control Objectives O,F,C	Risk Analysis	Risk Rating in an Uncontrolled Environment HI MED LO		Actions/ Control Activities/ Comments	Monitoring (i.e., Test of Controls, etc.)	Conclusion (Sufficiency/Effectiveness of Existing Internal Controls)
			Severity	Frequency			
					Access restrictions (e.g., magnetic key devices, employee badges, sign-in logs) Detection and prevention devices (e.g., fire alarms, electronic sensing and monitoring devices, security guards, detectives, etc.) Insurance and fidelity bonds Frequent collection and prompt storage of cash Restricted endorsement of all customer remittances by employee who opens mail Control of keys Review of cash receipt items that, for one reason or another, are withheld from deposit Identification of individuals and specific locations authorized to receive cash Posting of customer receivable ledgers from cash receipts listings or remittance advice, not from cash items		
12. Access to receipts/receivable	O,F,C	Records may be destroyed or lost resulting in inability to:			Safes, locked cabinets, secure tape, disk library, and		

Objectives	Control Objectives O,F,C	Risk Analysis	Risk Rating in an Uncontrolled Environment HI MED LO		Actions/ Control Activities/ Comments	Monitoring (i.e., Test of Controls, etc.)	Conclusion (Sufficiency/Effectiveness of Existing Internal Controls)
			Severity	Frequency			
records, critical forms, and processing procedures is permitted only in accordance with management's criteria		<ul style="list-style-type: none"> Prepare reliable and/or timely financial and operating reports Realize asset values <p>Records may be misused or altered by unauthorized person to detriment of the entity or its customers (e.g., receivable detail records may be adjusted to cover misappropriation of customer remittances)</p> <p>Computer programs may be altered by unauthorized person</p> <p>Processing capabilities, particularly computer processing capabilities, may be lost, destroyed or altered by unauthorized person resulting in the following:</p> <ul style="list-style-type: none"> Inability to report Distortion of reported activities 			<p>off-site back-up storage for records, computer files/programs, and related documentation</p> <p>Controlled custody and pre-numbering of critical forms, including periodic accounting of forms by independent personnel</p> <p>Segregation of responsibilities and restriction of access as follows:</p> <ul style="list-style-type: none"> Segregation of accounts receivable, cashier, and accounting activities Denying access of cash receipt records to persons responsible for posting to accounts receivable ledgers and GL's <p>Deny access to accounts receivable ledgers to those authorized to extend credit or approve customer discounts, returns or allowances</p> <p>Segregate maintenance of accounts receivable ledgers from sales invoices or sales registers preparation activities</p> <p>Most State of Michigan sales are cash operations that do</p>		

Objectives	Control Objectives O,F,C	Risk Analysis	Risk Rating in an Uncontrolled Environment HI MED LO		Actions/ Control Activities/ Comments	Monitoring (i.e., Test of Controls, etc.)	Conclusion (Sufficiency/Effectiveness of Existing Internal Controls)
			Severity	Frequency			
					not involve accounts receivable		
End of Revenue Transaction Cycle Activity/Event: Cash Receipts							
Beginning of Revenue Transaction Cycle Activity/Event: Receivables							
1. All receivables recorded promptly and accurately	O,F	Employee fraud and collusion			Establish procedures for recording and processing receivables		
2. Ability to determine/report source and age of receivables	F	Inaccurate recording of receivables and subsequent collections			Periodically reconcile subsidiary ledgers and control accounts; prepare a receivables aging schedule		
3. Continuous and timely attempts made to collect receivables	F	Improper year-end cutoffs			Verify sufficient efforts have been made to collect overdue receivables		
4. Portion of receivable that may not be collected is identified	F	Unauthorized write-off of receivables			Periodically reconcile uncollectibles status report Observe and document actual practices, for procedural compliance		
5. Accounts turned over to Department of Treasury at proper intervals	F	Uncollectible receivables not written-off or turned over to Treasury			Define procedures for processing uncollectible receivables		
6. Continued completeness and accuracy of accounts receivable is ensured	O,F	Unauthorized input for nonexistent returns, allowances, and write-offs			Reconcile accounts receivable subsidiary ledger to sales and cash receipt transactions Resolve differences between the A/R subsidiary ledger and control accounts		
7. Accounts receivable records safeguarded	O,F	Unauthorized access to accounts receivable records/stored data			Restrict access to accounts receivable files and data used to process receivables MAIN system security and electronic approval paths prevent unauthorized access		

Objectives	Control Objectives O,F,C	Risk Analysis	Risk Rating in an Uncontrolled Environment HI MED LO		Actions/ Control Activities/ Comments	Monitoring (i.e., Test of Controls, etc.)	Conclusion (Sufficiency/Effectiveness of Existing Internal Controls)
			Severity	Frequency			
End of Revenue Transaction Cycle Activity/Event: Receivables							
Beginning of General Accounting Transaction Cycle Activity/Event: Project Accounting							
1. Project is authorized in accordance with laws, regulations and management's policy	O	All projects may not be properly authorized Resources wasted on unauthorized projects			Clearly defined agency project requirements and criteria for project approval		
2. Project management procedures are established/maintained in accordance with management's policy	O	Resources wasted on unauthorized projects			Defined procedures Audit review of procedures Training		
3. Project results are in accordance with laws, regulations, management's policy and plan	O	Unauthorized project results are achieved; results not achieved economically Fraud, waste, and abuse			Clearly defined project objectives Results are compared to plans Periodic review against current needs		
4. Procedures used to control, monitor, report project status are economical and efficient	O	Excessive costs are incurred Monitoring costs reduce funds needed for the project			Forms designed to expedite processing Unnecessary clerical steps eliminated Economy and efficiency audits Cost of processing transactions determined and reported		
5. Resources used in projects are reported accurately and properly	O	Resources improperly used Excessive costs incurred			Defined procedures		
6. Results of project activities are reported accurately and promptly	O	Research is wasted Cost and time overruns			Timetables and project reporting Project manager		

Objectives	Control Objectives O,F,C	Risk Analysis	Risk Rating in an Uncontrolled Environment HI MED LO		Actions/ Control Activities/ Comments	Monitoring (i.e., Test of Controls, etc.)	Conclusion (Sufficiency/Effectiveness of Existing Internal Controls)
			Severity	Frequency			
					responsibility		
7. Resources used are applied accurately to the proper detailed records	O,F	Resources improperly used Incorrect decisions made			Defined timetable and reporting procedures Defined monitoring responsibilities		
8. Costs of resources used and accounting distribution of such costs are computed and reported accurately and promptly	F	Project costs may be charged in excess of approved contracts/ project budgets Payments may be made for costs not applicable to the project			Defined timetable and reporting procedures Defined monitoring responsibilities		
9. Project activities are summarized and classified in accordance with management's plan	O	Inaccurate and untimely reports Resources wasted on unauthorized projects Management makes incorrect decisions			Defined timetable and reporting procedures Quarterly project status reports are sent to user departments for review/approval		
10. Costs are summarized, classified, reported accurately and promptly	O,F	All project costs may not be recorded Project costs may not be recorded at proper amounts Unauthorized expenditures may be charged to project			Project budgets are set and monitored by management Expenditures are monitored by Office of Facilities, user department, and project architect/engineer on an ongoing basis		
11. Project status is periodically substantiated and evaluated	O	Project not performed as authorized Project overruns costs/deadlines			Management reviews project status Auditor General audits Cost review by management		
12. Access to project materials is permitted only in accordance with management's policy	O	Materials, reports, etc., lost or misplaced Improper use of data			Physical controls Develop/implement security plan		
13. Access to project records, forms, areas,	O	Materials, reports, etc., lost or misplaced			Physical control		

Objectives	Control Objectives O,F,C	Risk Analysis	Risk Rating in an Uncontrolled Environment HI MED LO		Actions/ Control Activities/ Comments	Monitoring (i.e., Test of Controls, etc.)	Conclusion (Sufficiency/Effectiveness of Existing Internal Controls)
			Severity	Frequency			
and procedures is permitted in accordance with management's policy		Improper use of data			Develop/implement security plan		
14. Federal Government is billed on a timely basis for federally funded projects	O,F	<p>Departments may not bill Federal Government for project reimbursement in accordance with regulatory policy</p> <p>Federal revenue not drawn timely affects the state's cash flow and interest earnings</p>			<p>Management review/approval of federal billings</p> <p>Verify receipt of federal monies within 3-5 days</p> <p>Quarterly, departments receive and review project status reports provided by OAS</p> <p>Utilize year-end reporting and closing instructions provided by DMB</p>		
15. Federal Government's share of project costs are accurately billed	F	<p>Appropriate federal share of costs are not billed</p> <p>All federal reimbursable costs may not be recorded</p> <p>All federal billings may not be in accordance with federal guidelines</p> <p>Departments may bill the Federal Government for fraudulent project costs</p> <p>Departments may bill Federal Government for project costs that do not qualify for federal funding</p>			<p>Prior to its start, project budgets are set</p> <p>Annual budgets are set and monitored through the budgetary process</p> <p>Federal share of projects is determined prior to start of project</p> <p>Management monitors project costs and federal reimbursements</p> <p>Automated billing system computes federal share of project cost based upon predetermined formula or agreement</p>		

Objectives	Control Objectives O,F,C	Risk Analysis	Risk Rating in an Uncontrolled Environment HI MED LO		Actions/ Control Activities/ Comments	Monitoring (i.e., Test of Controls, etc.)	Conclusion (Sufficiency/Effectiveness of Existing Internal Controls)
			Severity	Frequency			
End of General Accounting Transaction Cycle Activity/Event: Project Accounting							
Beginning of General Accounting Transaction Cycle Activity/Event: Grant Accounting							
1. Grant monies are distributed in accordance with federal/state laws, grantees needs, eligibility	F,C	Outdated/incorrect factors may be used in distribution formulas for entitlement grants Inequitable distribution of grant monies			Annual review of distribution formula is performed by grantor Appropriate federal/state share ratio is used to record expenditures Appropriate federal/state share ratio is included in contract with grantee		
2. Eligible grant recipients receive grants	O	Program beneficiaries and other interested parties do not understand program eligibility qualifications; fail to obtain prescribed benefits			Eligibility requirements are written in terms that expected beneficiaries, and other interested parties, can easily understand Standard application forms containing all eligibility requirements		
3. Grant awards are approved at appropriate level	O	Lack of proper authorization			Grantees are approved at appropriate management level		
4. Grantees comply with federal reporting requirements	O	Grant funds are not properly accounted for or distributed by the grantee Grantee may inaccurately report receipt of federal monies			Review for completeness Required reports and supporting documentation are reviewed for accuracy and timeliness Catalog of Federal Domestic Assistance (CFDA) program funding information is included in contract with grantee		
5. Grantees are in compliance with	C	Fraud, waste and abuse may occur in grantee procurement			Grant award contracts require grantee to comply		

Objectives	Control Objectives O,F,C	Risk Analysis	Risk Rating in an Uncontrolled Environment HI MED LO		Actions/ Control Activities/ Comments	Monitoring (i.e., Test of Controls, etc.)	Conclusion (Sufficiency/Effectiveness of Existing Internal Controls)
			Severity	Frequency			
federal/state procurement regulations		process Loss of federal funding due to noncompliance with regulations			with procurement regulations Grantee procurement process verifies the grantee is in compliance with all applicable regulations		
6. Maintain grantee cost allocation plans and overhead rates	F	Grant expenses may be incorrectly reported to the grantor Financial statements provided by grantee may not represent actual cost activity			Annually, grantee submits copies of cost allocation plans and overhead rate computations Annual evaluation of basis for rate computations and cost allocation		
7. Government financed property and equipment are properly maintained, safeguarded and accounted for	F	Conversion of property and equipment for personal use			Grantee maintains proper records and safeguards over government financed property and equipment		
8. Expenditures are accurately recorded	F	Unreported expenditures Unspent funds Overspending against budget			Management review of reports Grant manager review of financial reports Auditor General audits		
9. Recorded data is periodically substantiated and evaluated	F	Unreported expenditures Unspent funds Overspending against budget			Certification of reports by supervisors Auditor Generals audits		
10. Resources used, program results and related adjustments are accurately applied to proper records	F	Unreported expenditures Unspent funds Overspending against budget			Define recording procedures and records Reconcile independent systems and records Management review of		

Objectives	Control Objectives O,F,C	Risk Analysis	Risk Rating in an Uncontrolled Environment HI MED LO		Actions/ Control Activities/ Comments	Monitoring (i.e., Test of Controls, etc.)	Conclusion (Sufficiency/Effectiveness of Existing Internal Controls)
			Severity	Frequency			
					reports Train personnel		
End of General Accounting Transaction Cycle Activity/Event: Grant Accounting							
Beginning of General Accounting Transaction Cycle Activity/Event: Fixed Asset Accounting							
1. Sources of assets are authorized in accordance with laws, regulations, and management's policy	O	Management may be subject to violations of budgetary, appropriation or legislative limitations			Clear statements of criteria, including documented source of assets		
2. Amounts, timing, and conditions of transactions are authorized in accordance with laws, regulations, and management's policy	O,F	Agency may fail to comply with laws or regulations; this could affect the financial statement classification of its assets and overall operating policies Unauthorized transactions Unrecorded transactions			Clear statements of criteria Transactions are authorized by management		
3. Asset control procedures are established and maintained in accordance with management's policy	O	Agencies may be reorganized and personnel reassigned in ways that reduce segregation of duties Procedures may be implemented that circumvent existing internal control techniques Computer programs may be modified to circumvent controls, to change accounting policies or reduce safeguards over assets Unauthorized person may process transactions incorrectly			Clear statements of procedures via: <ul style="list-style-type: none">• Policy and procedures manuals• Fixed Assets Accounting Manual• Training routines• Supervisory requirements• Systems/programs documentation Periodically, verify required management and user approvals Periodically, verify required supervisory approvals for reassignments of responsibilities Periodically, compare actual		

Objectives	Control Objectives O,F,C	Risk Analysis	Risk Rating in an Uncontrolled Environment HI MED LO		Actions/ Control Activities/ Comments	Monitoring (i.e., Test of Controls, etc.)	Conclusion (Sufficiency/Effectiveness of Existing Internal Controls)
			Severity	Frequency			
					processing procedures with documentation and authorization MAIN system used to record financial effects of fixed asset transactions		
4. Fixed asset transfers, acquisitions, dispositions, and related depreciation are completely and accurately recorded	F	Acquisition documents may be lost or not communicated to proper personnel Acquired assets may not be adequately described Asset disposal or transfer may not be communicated to proper personnel Incorrect depreciation lives/ methods may be used			Fixed Assets Accounting Manual provides guidance on criteria for acquisition, disposal, and transfer of fixed assets Agencies required to annually update OFM as to any changes in their fixed assets Pre-number individual capital expenditure authorizations; investigate missing documents Route copy of PO's for capital expenditures to personnel who process fixed assets; investigate PO's not matched with receiving documentation after anticipated receipt date Reconcile fixed asset additions to capital expenditure authorizations Dispose of, or transfer fixed assets, only with proper authorization; copy of proper authorization is provided to appropriate personnel		

Objectives	Control Objectives O,F,C	Risk Analysis	Risk Rating in an Uncontrolled Environment HI MED LO		Actions/ Control Activities/ Comments	Monitoring (i.e., Test of Controls, etc.)	Conclusion (Sufficiency/Effectiveness of Existing Internal Controls)
			Severity	Frequency			
					Pre-number fixed asset disposal; transfer authorization forms and investigate missing documents Periodically, count fixed assets; reconcile count to fixed asset records and investigate differences Establish policies regarding depreciation lives and methods; communicate policies to appropriate personnel Review depreciation detail for accuracy and compliance with policies		
5. Approve only those requests to buy or sell assets that meet laws, regulations, and management's policy	O	Agency may fail to comply with laws or regulations Management may be subject to violations of budgetary, appropriation or legislative limitations Unauthorized transactions Unrecorded transactions			Clear statements of criteria, including documented source of assets Transactions are authorized by management		
6. Journal entries for assets acquired/retired (and related adjustments) are prepared and posted each accounting period	F	Reports may not become available on a timely basis Reports may be misstated due to any of the following: <ul style="list-style-type: none">• Omission of selected registers and journals			Use MAIN with its available controls OFM records entries at year-end to adjust "balance sheet" – GFAAG – to proper balances		

Objectives	Control Objectives O,F,C	Risk Analysis	Risk Rating in an Uncontrolled Environment HI MED LO		Actions/ Control Activities/ Comments	Monitoring (i.e., Test of Controls, etc.)	Conclusion (Sufficiency/Effectiveness of Existing Internal Controls)
			Severity	Frequency			
		<ul style="list-style-type: none"> • Omission of journal entry • Incorrect coding • Duplicate journal entries • Improper cutoffs <p>Budgetary control over operations may be weakened</p>			<p>Written chart of accounts with account descriptions</p> <p>Written coding instructions</p> <p>Assignment of responsibility for each account balance to an individual in the cycle</p> <p>Budgeting/reporting according to same chart of accounts; analysis of significant variances between actual and planned account balances</p> <p>Written cutoff and closing schedules</p>		
7. Detail subsidiary records are: maintained for individual assets; periodically reconciled to control accounts	F	Inaccurate recording			<p>Periodically, reconcile subsidiary accounts to control accounts</p> <p>Agency maintains their own equipment records</p> <p>OFM maintains land and building records that are updated by agencies annually</p>		
8. Periodically, the existence and condition of fixed assets are verified	O	Over or understatement of assets at year-end			<p>Agency is responsible for performing physical inventory count</p> <p>Verify that physical inventory count of fixed assets is performed annually, in accordance with the Administrative Guide to State</p>		

Objectives	Control Objectives O,F,C	Risk Analysis	Risk Rating in an Uncontrolled Environment HI MED LO		Actions/ Control Activities/ Comments	Monitoring (i.e., Test of Controls, etc.)	Conclusion (Sufficiency/Effectiveness of Existing Internal Controls)
			Severity	Frequency			
					Government and Fixed Assets Accounting Manual OFM requests an annual confirmation of physical inventory of equipment		
9. Physical security safeguards are maintained where assets are stored	O	Assets may be stolen, lost, destroyed or temporarily diverted			Agency restricts access to facilities during non-working hours Affix ID plate and number to office furniture, fixtures, equipment, and other portable fixed assets Develop, implement, and communicate safeguard policies		
10. Changes in values, where required by generally accepted governmental accounting principles, are recognized promptly and computed accurately	F	Asset account balances may be misstated			Documented procedures for periodic comparison of recorded values to market values Review of change in values is performed by an individual who did not participate in initial determinations Use of outside services to report changes in market values Equipment is responsibility of each agency Agency reports land and building changes to OFM which reviews to identify if the agency complies with		

Objectives	Control Objectives O,F,C	Risk Analysis	Risk Rating in an Uncontrolled Environment HI MED LO		Actions/ Control Activities/ Comments	Monitoring (i.e., Test of Controls, etc.)	Conclusion (Sufficiency/Effectiveness of Existing Internal Controls)
			Severity	Frequency			
					GAAP requirements		
11. Retirement and disposition of assets to outsiders are accurately and promptly reported	F	<p>Receivables and payables may not be reported</p> <p>Assets may be lost or stolen</p>			<p>Defined procedures, primarily in Fixed Assets Reporting Manual</p> <p>Agency works with the DMB, Surplus Property office on asset disposal; using reporting forms to report changes to OFM</p> <p>Periodic inventories performed</p> <p>Auditor General audits the retirement of assets</p>		
End of General Accounting Transaction Cycle Activity/Event: Fixed Asset Accounting							
Beginning of Contract Administration: Planning							
1. Contracts are authorized within budget limits and established in accordance with applicable laws, regulations, and directives	C	<p>Unauthorized contract</p> <p>Contract releases exceed budget limit</p>			<p>Maintain written policies and procedures for establishing a contract, its security, and the authorization to approve.</p> <p>All contracts for jurisdictional services are required to have a valid CS-138 approved by Civil Service</p> <p>Review budget limits prior to contract development</p>		
2. Appropriate policies and procedures are used regarding contract administration	O, C	<p>Policies and procedures may not be followed (e.g. failure to obtain central control agency approvals (DCS, Ad Board, MDCR, etc.)</p> <p>Users are not aware of policies</p> <p>Incomplete or outdated procedures</p>			<p>Department of Civil Service reviews all jurisdictional personal service contracts greater than \$5000 per written polices and procedures of Civil Service Chapter 7 Rules &/or Regulations Standards for Contracting for Personal</p>		

Objectives	Control Objectives O,F,C	Risk Analysis	Risk Rating in an Uncontrolled Environment HI MED LO		Actions/ Control Activities/ Comments	Monitoring (i.e., Test of Controls, etc.)	Conclusion (Sufficiency/Effectiveness of Existing Internal Controls)
			Severity	Frequency			
		Failure to document contract scope changes			Services, Advisory Bulletin No. 499-99 Disbursements for Personal Services- Processing Standards and Legislative Reporting Requirements, and Article 11, §5 of the Michigan Constitution Agencies provide training on the procedures to procurement personnel		
3. Statements of Work (SOWs) are developed, prepared and critiqued	O	SOWs are not developed SOWs do not accurately reflect nature of contracting activity			Management & program staff review requirements needed to fulfill contract including objectives, tasks, time constraints and any other specific requirements/terms		
4. FORMATION: RFPs/ITBs are issued to vendors/public	O	Contracts are not competitively bid RFPs/ITBs do not accurately reflect nature of contracting activity			Management & program staff (AS if it exceeds delegated authority) review and decide on clear and specific descriptions of items to be ordered along with any recommended vendors AS monitors to ensure we are not awarding without competitive bid Items must be put on an on-line requisition in ADPICS to be processed by AS and sent for bid		
5. Contractor/Vendor is selected based on appropriate evaluation criteria	O	Inappropriate selection of contractor/vendor or inappropriate sole source award			Contracts over \$25,000 must be processed by AS Evaluation criteria must be		

Objectives	Control Objectives O,F,C	Risk Analysis	Risk Rating in an Uncontrolled Environment HI MED LO		Actions/ Control Activities/ Comments	Monitoring (i.e., Test of Controls, etc.)	Conclusion (Sufficiency/Effectiveness of Existing Internal Controls)
			Severity	Frequency			
					published Joint Evaluation Committee is utilized as appropriate to ensure unbiased selection process		
6. Appropriate terms and conditions are agreed upon by State and vendor	O, C	Terms and conditions are not agreed upon by State and vendor Terms/conditions incomplete and do not adequately protect the State's interests			Negotiate with no exceptions to the State's terms and conditions AS has provided Templates to ensure more uniformity in the writing of contracts Select alternate contractor/vendor All non-standard contracts are reviewed by legal counsel		
7. MANAGEMENT: Vendor delivers services as prescribed in contract	O	Service deliverables are late or not in compliance with contract specifications No contract administrator No review by contract administrator			Select contract administrator/inspector Administrator/inspector receives adequate training Written procedures exist to guide contract administrator/inspector Administrator/Inspector monitors contractor/vendor performance to verify compliance with contract		
8. Proper records are established and maintained	O, F	Records are not established or maintained			Establish recording system in accordance with administrative and legal retention requirements		

Objectives	Control Objectives O,F,C	Risk Analysis	Risk Rating in an Uncontrolled Environment HI MED LO		Actions/ Control Activities/ Comments	Monitoring (i.e., Test of Controls, etc.)	Conclusion (Sufficiency/Effectiveness of Existing Internal Controls)
			Severity	Frequency			
					Follow established retention schedule		
9. Contracts are modified by appropriate authority	O	Contract modifications not authorized or documented			Monitor contract performance, document modifications and change/ modify contracts as needed by use of contract change notice and advice of change to the BPO		
10. Payments are approved/made by the agency using the services delivered	O, F	No approvals for payments Payments made for goods or services not meeting specifications			Contract Inspector/Administrator monitors contractor/vendor performance to verify compliance with contract Accounting staff will not process payments without approval Based upon performance, approve and coordinate payment		
11. Completed contracts are reviewed, summarized, and closed out by appropriate authority	O, F	All deliverables have not been provided			Contract Inspector/Administrator summary is completed to document vendor performance & completion of tasks. Contract updates are documented and approved by appropriate authority.		
End of Contract Administration							

FINANCIAL/ACCOUNTING TRANSACTION CYCLES – Overall Conclusion/Control System Strengths and Weaknesses

I certify that this evaluation of the Risks, Control Activities, and the Monitoring components of the internal control structure for the following financial management activities (_____), in effect during the two-year period ended 9/30/04 has been conducted in a reasonable and prudent manner, and I concur with the conclusions documented above as a result of this evaluation.

Activity Level Manager Signature

Date